

SOO TOWNSHIP, CHIPPEWA COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Soo Township	County Chippewa
Audit Date June 30, 2005	Opinion Date October 15, 2005	Date Accountant Report Submitted to State: February 9, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

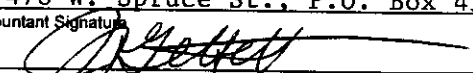
Certified Public Accountant (Firm Name) Gillett, Halvorsen & Leonhardt, P.C.			
Street Address 478 W. Spruce St., P.O. Box 437	City Sault Ste. Marie	State MI	ZIP 49783
Accountant Signature 		Date	

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Certified Public Accountants

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MEMBER OF THE AMERICAN
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INDEPENDENT AUDITORS' REPORT

Township Board
Soo Township
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the governmental activities and the major fund of Soo Township as of and for the year ended June 30, 2005, as listed in the Table of Contents. These basic financial statements are the responsibility of Soo Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and major fund of Soo Township as of June 30, 2005, and the changes in financial position where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-6 and the budgetary comparisons on pages 29-30 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gillett Halvorsen & Leonhardt PC

Gillett, Halvorsen & Leonhardt, PC
Certified Public Accountants

October 15, 2005
Sault Ste. Marie, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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Within this section of Soo Township's annual financial report, the Township's management provides a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended June 30, 2005. Soo Township's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government, unless otherwise noted.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information of the Township's overall status. Financial reporting on this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall economic health of the Township would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Township infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of this Statement of Activities is to show financial reliance of the Township's distinct activities or functions on revenues provided to the Township.

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2005

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FUND FINANCIAL STATEMENTS

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing distinctive view of the Township's governmental funds. The statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. These are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement is included in the basic financial statements for the general fund. This statement demonstrates compliance with the Township's adopted and final revised budget.

Fiduciary funds such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which follows the notes to the financial statements.

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2005

TOWNSHIP AS A WHOLE

The Township's assets exceed its liabilities by \$932,019 for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets of \$393,075 include land, property and equipment.
- (2) Net assets of \$3,444 are restricted by constraints imposed from outside the Township such as grantors, laws or regulations.
- (3) Unrestricted net assets of \$535,500 represent the portion available to maintain the Township's continuing obligations.

The Township's governmental funds reported total ending fund balance of \$538,944 this year. This compares to the prior year ending fund balance of \$517,831 showing a increase of \$21,113 during the current year.

In a condensed format, the table below shows the net assets of the Township at June 30:

	Governmental Activities	
	2005	2004
Current assets	\$547,375	\$517,066
Restricted assets	3,444	8,925
Non-current assets	393,075	444,448
Total Assets	\$943,894	\$970,439
Current Liabilities	\$ 11,875	\$ 8,160
Net Assets		
Invested in capital assets	\$393,075	\$444,448
Restricted	3,444	8,925
Unrestricted	535,500	508,906
Total Net Assets	932,019	962,279

The Township reported a positive balance of \$932,019 in governmental activities with net assets decreased by \$30,260.

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2005

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THE TOWNSHIP AS A WHOLE (CONTINUED)

The following table shows the activities of Soo Township for the year ended June 30:

	Governmental Activities	
	2005	2004
Program Revenues		
Charges for services	\$ 4,255	\$ 4,658
Operating grants	199,978	202,788
Capital grants	-0-	114,165
General Revenues		
Taxes	152,552	139,781
Licenses and permits	600	200
Payments in lieu of taxes	6,699	6,698
Interest income	8,846	12,000
Refunds and reimbursements	4,995	9,123
Total Revenues	\$377,925	\$489,413
Program Expenses		
Legislative	\$ 5,619	\$ 4,595
General government	99,083	91,286
Public safety	117,173	113,892
Public works	147,250	166,686
Cultural and recreation	300	300
Other expenses	38,760	44,144
Total Expenses	\$408,185	\$420,903
Change in Net Assets	\$(30,260)	\$ 68,510
	=====	=====

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUND

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported an ending fund balance of \$538,944. Of this year end total, \$535,500 is unreserved indicating availability for continuing Township activities. Reserved fund balances consists of \$3,444 committed to public works.

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2005

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FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)

The general fund pays for all the Township's governmental services. The most significant are public safety and public works which included expenses of \$264,423 for the year ended June 30, 2005. These services were largely supported by property taxes and state shared revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant changes were an increase in estimated tax revenue and a decrease in capital grants for public safety. The Township's actual expenditures exceeded the total budgeted expenditures by \$7,913 for the year ended June 30, 2005, primarily as a result of exceeding the budget expenditure for capital outlay by \$7,490.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2005, the Township had \$393,075 invested in a broad range of capital assets net of accumulated depreciation, including buildings and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Because of the impact of Proposal A, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of 5% or inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, Township State Revenue sharing continues to be reduced.

CONTACTING THE TOWNSHIP'S MANAGEMENT

The financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office at: 639 W. 3 1/2 Mile Road, Sault Ste. Marie, MI 49783 or (906) 632-3406.

BASIC FINANCIAL STATEMENTS

SOO TOWNSHIP
STATEMENT OF NET ASSETS

June 30, 2005

=====

GENERAL
FUND

=====

ASSETS

Current Assets

Cash and equivalents	\$526,552
Due from other funds	11
Due from other governmental unit	19,767
Taxes receivable	1,045

Total Current Assets	\$547,375

Restricted Assets

Cash and equivalents	3,444
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Non-current Assets

Land, buildings and equipment - net of depreciation	393,075
-----------------------------------------------------	---------

TOTAL ASSETS

\$943,894
=====

LIABILITIES

Current Liabilities

Accounts payable	\$ 10,830
Deferred revenue - taxes receivable	1,045

TOTAL LIABILITIES

\$ 11,875

NET ASSETS

Invested in capital assets	\$393,075
Restricted for: Public works	3,444
Unrestricted	535,500

TOTAL NET ASSETS

\$932,019
=====

See accompanying notes to financial statements.

SOO TOWNSHIP

STATEMENT OF ACTIVITIES

For the year ended June 30, 2005

PROGRAM REVENUES					
FUNCTIONS/PROGRAMS	CHARGES			NET	
	EXPENSES	SERVICES	FOR OPERATING GRANTS	CAPITAL GRANTS	(EXPENSES) REVENUES
=====					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 5,619	\$ -0-	\$ -0-	\$ -0-	\$ (5,619)
General government	99,083	4,255	180,211	-0-	85,383
Public safety					
Fire	61,202	-0-	9,884	-0-	(51,318)
Ambulance	47,267	-0-	9,883	-0-	(37,384)
Planning, zoning and land division	8,704	-0-	-0-	-0-	(8,704)
Public works	147,250	-0-	-0-	-0-	(147,250)
Cultural and recreation	300	-0-	-0-	-0-	(300)
Other expenditures	38,760	-0-	-0-	-0-	(38,760)
TOTAL GOVERNMENTAL ACTIVITIES	\$408,185	\$4,255	\$199,978	\$ -0-	\$ (203,952)
=====					
CHANGE IN NET ASSETS					
Net (Expense) Revenue					\$ (203,952)
GENERAL REVENUES					
Taxes					152,552
Licenses and permits					600
Payments in lieu of taxes					6,699
Interest income					8,846
Refunds and reimbursements					4,995
TOTAL GENERAL REVENUES					\$ 173,692
CHANGE IN NET ASSETS					
					\$ (30,260)
NET ASSETS - JULY 1, 2004					
					962,279
NET ASSETS - JUNE 30, 2005					
					\$ 932,019
=====					

See accompanying notes to financial statements.

SOO TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUND

For the year ended June 30, 2005

		GENERAL FUND
=====		
ASSETS		
Cash and equivalents		\$529,996
Due from other funds		11
Due from other governmental unit		19,767
Taxes receivable		1,045

TOTAL ASSETS		\$550,819
		=====
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable		\$ 10,830
Deferred revenue - taxes receivable		1,045

TOTAL LIABILITIES		\$ 11,875
FUND BALANCE		
Reserved for restricted purposes		\$ 3,444
Unreserved		535,500

TOTAL FUND BALANCE		\$538,944

TOTAL LIABILITIES AND FUND BALANCE		\$550,819
		=====

See accompanying notes to financial statements.

SOO TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

June 30, 2005

=====

Total Fund Balance - Governmental Fund	\$538,944
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$863,161, net of accumulated depreciation of \$470,086, are not financial resources and, therefore, are not reported in the fund. See note 4 for additional detail.	393,075
NET ASSETS OF GOVERNMENTAL ACTIVITIES	----- \$932,019 =====

See accompanying notes to financial statements.

SOO TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND

For the year ended June 30, 2005

	GENERAL FUND
Revenues	
Taxes	\$ 152,552
Licenses and permits	600
State shared revenues	180,211
Contributions from local units	19,767
Payments in lieu of taxes	6,699
Charges for services	1,455
Interest income	8,846
Rental income	2,800
Refunds and reimbursements	4,995
TOTAL REVENUES	\$ 377,925
Expenditures	
Legislative	\$ 5,619
General government	92,775
Public safety	63,005
Public works	147,250
Cultural and recreation	300
Capital outlay	9,103
Employee benefits	5,156
Insurance, bonds and pension	32,184
Refunds	1,420
TOTAL EXPENDITURES	\$ 356,812
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 21,113
FUND BALANCE - JULY 1, 2004	517,831
FUND BALANCE - JUNE 30, 2005	\$ 538,944

See accompanying notes to financial statements.

SOO TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2005

=====

Net change in Fund Balance - Governmental Fund	\$ 21,113
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$60,476 exceeded capital outlay of \$9,103 in the current period.	(51,373)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	----- \$ (30,260) =====

See accompanying notes to the financial statements.

SOO TOWNSHIP

BALANCE SHEET
AGENCY FUND

June 30, 2005

=====	
	TAX
	COLLECTION
	FUND
=====	
ASSETS	
Cash and equivalents	\$ 11
	=====
LIABILITIES	
Due to other fund - general	\$ 11
	=====

See accompanying notes to financial statements.

SOO TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND

June 30, 2005

		PENSION
		TRUST
		FUND
ASSETS		
Cash and equivalents		\$113,831
		=====
NET ASSETS		
Net assets held in trust for pension benefits		\$113,831
		=====

See accompanying notes to financial statements.

SOO TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND

For the year ended June 30, 2005

	PENSION TRUST FUND
ADDITIONS	
Contributions:	
Employer	\$ 4,929
Plan members	2,644

TOTAL CONTRIBUTIONS	\$ 7,573
Investment income	6,547

TOTAL ADDITIONS	\$ 14,120
DEDUCTIONS	
Benefits	\$ 2,000
Administrative expenses	1,668

TOTAL DEDUCTIONS	\$ 3,668

CHANGE IN NET ASSETS	\$ 10,452
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	103,379

End of year	\$113,831
	=====

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Soo Township, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A - REPORTING ENTITY

Financial Reporting Entity

Soo Township is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and public works.

The Township, for financial purposes, includes all funds relevant to the operations of Soo Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Soo Township.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Soo Township has no business-type activities or separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Soo Township has only the general fund.

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable - Current Property Taxes

The Soo Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Soo Township as of the preceding December 31st.

Although Soo Township 2004 ad valorem tax is levied and collectible on December 1, 2004, it is Soo Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

The 2004 taxable valuation of Soo Township totaled \$78,223,600, on which ad valorem taxes levied consisted of 1.6203 mills for Township operating purposes. This amount is recognized in the General Fund financial statements as tax revenue.

The Township reports the following major governmental fund:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Deposits are recorded at cost.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowances for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items - All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

=====

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenue - Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control - The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Each May, the Township Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the Township Board level for the General Fund. Any revisions that alter the total expenditures of any fund (i.e., budget amendments) require approval by the Township Board. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the Township Board level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds
	-----	-----
Cash and Cash Equivalents -		
Restricted	\$ 3,444	\$ -0-
Unrestricted	526,552	11
Investments	-0-	113,831
	-----	-----
Total	\$529,996	\$113,842
	=====	=====

SOO TOWNSHIP

NOTE TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	Primary Government -----	Fiduciary Funds -----
Bank deposits - savings	\$172,488	\$ 11
Certificate of deposit	357,508	-0-
Investments	-0-	113,831
	-----	-----
Total	\$529,996	\$113,842
	=====	=====

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in (a.)
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

- h. Obligation described in (a.) through (g.) if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's primary and fiduciary deposits was \$530,007 and the bank balance was \$531,391. Of the bank balance, \$400,000, was covered by federal depository insurance according to FDIC regulations. Also, during the year the Township had funds in excess of \$100,000 on deposit in a particular financial institution which would not have been covered by federal depository insurance.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,521	\$ -0-	\$ -0-	\$ 9,521
Capital assets being depreciated:				
Buildings	228,500	-0-	-0-	228,500
Machinery and equipment	616,037	9,103	-0-	625,140
Subtotal	\$844,537	\$ 9,103	\$ -0-	\$853,640

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental Activities (Continued):				
Less accumulated depreciation for:				
Buildings	\$143,008	\$ 5,063	\$ -0-	\$148,071
Machinery and equipment	266,602	55,413	-0-	322,015
	-----	-----	-----	-----
Subtotal	\$409,610	\$ 60,476	\$ -0-	\$470,086
	-----	-----	-----	-----
Net Capital Assets Being Depreciated	\$434,927	\$ (51,373)	\$ -0-	\$383,554
	-----	-----	-----	-----
Governmental Activity Capital Total				
Capital Assets-Net of Depreciation	\$444,448	\$ (51,373)	\$ -0-	\$393,075
	=====	=====	=====	=====

Depreciation expense was charged to programs of primary government as follows:

Governmental Activities:	
General Government	\$ 6,308
Public Safety	54,168

Total Governmental Activities	\$60,476
	=====

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2005 is as follows:

<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
-----	-----
General \$11	Tax Collection \$11
===	===

There were no interfund transfers for the year ended June 30, 2005.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - RESTRICTED NET ASSETS

The Township received \$3,444 under the Metropolitan Extension Telecommunications Right-of-Way Oversight Act (PA 48 of 2002, MCLS 484.3101 - 3120), also known as the "Metro Act" during the year ended June 30, 2004. This represents the Township's portion of the fees being paid to the state by telecommunication providers for the Right-of-Way used within the Township. This funding is restricted in use to the maintenance of the aforementioned right-of-way. As of June 30, 2005, no expenditures have been made for this purpose.

The Township also had \$5,482 remaining in FEMA grants money received during the year ended June 30, 2004 for the purpose of providing funding to local units of government for the purchase of public safety equipment. The Township expensed the \$5,482 remaining in grant money during the current year for this purpose.

NOTE 7 - LEGAL COMPLIANCE

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act P.A. 2 of 1968 as amended (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Soo Township's actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets for Soo Township for the budgeted funds were adopted to the activity level.

During the year, Soo Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Government			
Treasurer	\$13,037	\$14,732	\$1,695
Elections	3,259	4,122	863
Public Safety			
Ambulance	45,392	47,267	1,875
Capital Outlay	1,613	9,103	7,490
Other Expenditures			
Payroll taxes	4,365	5,156	791
Refunds	1,350	1,420	70

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

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NOTE 8 - DEFINED CONTRIBUTION PLAN

Soo Township maintains a defined contribution plan through Burnham & Flower Agency, Inc. using the Manufacturers Life Insurance Company (USA). The plan name is the Manulife Financial Defined Contribution Pension Plan for Governmental Employees. The plan administrator is the clerk of Soo Township.

The plan is a money purchase pension plan also called a defined contribution, individual account plan because contributions to the plan are fixed and the retirement benefit is that which the total amount of contributions and earnings (money) will provide (purchase) for each employee.

Participants in the plan are all elected officials of the Township who have attained age 18 and not more than age 75. Currently there are seven participants in the plan.

The Township Board has a policy that permits the Township to have a defined contribution plan which they can amend. They have designated the clerk as plan administrator.

Under an amendment to the plan service agreement dated January 12, 2001, monthly payments based upon annual contributions are required instead of an annual payment under the prior plan.

Also, an amendment was made to change the plan entry date to the first month following the participants employment with the Township rather than at the beginning of the next full plan year.

Contributions to the plan for elected officials are made by Soo Township according to the following schedule:

Annual Compensation	Annual Contribution
-----	-----
Less than \$600	\$150
at least \$600 but less than \$1,200	\$300
at least \$1,200 but less than \$1,800	\$450
More than \$1,800	\$600

The contributions for the plan year were \$4,929 by Soo Township and \$2,644 by the employees. The Township also paid \$1,668 for plan administrative expenses during the year.

The funds of the Soo Township defined contribution pension plan are invested in Manulife financial general account at interest rates which are guaranteed if held to maturity. These accounts invest primarily in federal and other governmental bonds, corporate bonds and commercial mortgages and are presented at fair market value.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

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NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workmens compensation benefits provided to employees.

The Township participates in the Michigan Township Participating plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. This plan is a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township above the \$100 deductible amount. The Township pays an annual premium of \$21,482 for this plan. The plan has a maximum liability for general liability of \$3,000,000, wrongful acts of \$2,000,000 and automobile liability of \$1,000,000.

Therefore, the Township has no additional liabilities beyond the contribution made to the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official error and omissions liabilities as it is covered by insurance policies or reinsurance treaties obtained by the plan.

In addition, the Township has purchased commercial insurance for workmens compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in the past three years. There was no reduction in coverage obtained through insurance during the past year.

NOTE 10 - CONTINGENT LIABILITIES

The Township has received financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2005.

NOTE 11 - POSTEMPLOYMENT

Other than the pension benefits described in Note 8, Soo Township does not provide any postemployment benefits and, therefore, no accrual has been recorded for these benefits as of June 30, 2005.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 12 - COMPENSATED ABSENCES

The Township does not have a vacation or a sick leave benefit policy and, therefore, no accrual has been recorded for these benefits as of June 30, 2005.

NOTE 13 - BUDGET AMENDMENT

Once approved, the Township may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Authorized budget amendments were approved as follows:

FUND	AMOUNT
-----	-----
General Fund	
Legislative	
Township board	\$ 550
General Government	
Treasurer	(2,763)
Assessor	469
Clerk	(225)
Board of review	29
Elections	1,759
Legal	7,018
Audit	250
Township hall	455
Public Safety	
Fire	1,763
Ambulance	5,392
Planning, zoning and land division	(1,204)
Public Works	
Highways, streets and bridges	(6,400)
Capital Outlay	(3,887)
Other Expenditures	
Payroll taxes	(2,135)
Insurance bonds and pension	(262)
Refunds	150
Other	(959)

REQUIRED SUPPLEMENTAL INFORMATION

SOO TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE (OVER) UNDER
REVENUES				
Taxes	\$141,000	\$ 141,000	\$ 152,552	\$ (11,552)
Licenses and permits	-0-	-0-	600	(600)
State grants	180,000	180,000	180,211	(211)
Contributions from local units	18,000	18,000	19,767	(1,767)
Payments in lieu of taxes	1,299	1,299	6,699	(5,400)
Charges for services	1,200	1,200	1,455	(255)
Interest income	5,000	5,000	8,846	(3,846)
Rental income	2,400	2,400	2,800	(400)
Refunds and reimbursements	-0-	-0-	4,995	(4,995)
TOTAL REVENUES	\$ 348,899	\$ 348,899	\$ 377,925	\$ (29,026)
EXPENDITURES				
Legislative				
Township board	\$ 5,160	\$ 5,710	\$ 5,619	\$ 91
General Government				
Supervisor	\$ 7,980	\$ 7,980	\$ 7,980	\$ -0-
Treasurer	15,800	13,037	14,732	(1,695)
Assessor	25,900	26,369	26,361	8
Clerk	9,400	9,175	9,092	83
Board of review	1,000	1,029	1,029	-0-
Elections	1,500	3,259	4,122	(863)
Legal	10,000	17,018	13,830	3,188
Audit	3,000	3,250	3,250	-0-
Township hall	12,800	13,255	12,379	876
Total General Government	\$ 87,380	\$ 94,372	\$ 92,775	\$ 1,597
Public Safety				
Fire	\$ 5,500	\$ 7,263	\$ 7,034	\$ 229
Ambulance	40,000	45,392	47,267	(1,875)
Planning, zoning and land division	10,000	8,796	8,704	92
Total Public Safety	\$ 55,500	\$ 61,451	\$ 63,005	\$ (1,554)

See accompanying notes to financial statements.

SOO TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

June 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE (OVER) UNDER
EXPENDITURES (CONTINUED)				
Public Works				
Highways, streets and bridges	\$ 152,800	\$ 146,400	\$ 146,400	\$ -0-
Streetlights	1,000	1,000	850	150
Total Public Works	\$ 153,800	\$ 147,400	\$ 147,250	\$ 150
Cultural and Recreation				
Library	\$ 300	\$ 300	\$ 300	\$ -0-
Capital Outlay	\$ 5,500	\$ 1,613	\$ 9,103	\$ (7,490)
Other Expenditures				
Payroll taxes	\$ 6,500	\$ 4,365	\$ 5,156	\$ (791)
Insurance, bonds and pension	32,600	32,338	32,184	154
Refunds	1,200	1,350	1,420	(70)
Other	959	-0-	-0-	-0-
Total Other Expenditures	\$ 41,259	\$ 38,053	\$ 38,760	\$ (707)
TOTAL EXPENDITURES	\$ 348,899	\$ 348,899	\$ 356,812	\$ (7,913)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -0-	\$ -0-	\$ 21,113	\$ (21,113)
FUND BALANCE - JULY 1, 2004	517,831	517,831	517,831	-0-
FUND BALANCE - JUNE 30, 2005	\$ 517,831	\$ 517,831	\$ 538,944	\$ (21,113)

See accompanying notes to financial statements.



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INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Township Board
Soo Township
Sault Ste. Marie, MI 49783

We have audited the financial statements of Soo Township for the year ended June 30, 2005, and have issued our report thereon dated October 15, 2005. Professional standards require that we provide you with the following information related to our audit.

AUDITOR'S RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated September 30, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Soo Township are described in Note 1 to the financial statements.

During the year ended June 30, 2005, the Township did not initiate or change any of their significant accounting policies.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility of that future event affecting them may differ from management's current judgment;

2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS

As part of our audit, we considered the internal control of Soo Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. Accordingly, we do not express an opinion on the system of internal control structure of Soo Township taken as a whole. However, our procedures disclosed the following conditions that we would like to bring to your attention.

BUDGET

During the current year, expenditures exceeded the amount appropriated in six instances. Therefore, the Township has not complied with P.A. 621 of 1978, Section 18(1), as amended, which states that a local unit of government shall not incur expenditures in excess of the amount appropriated. We recommend that budget categories should not be over expended and that the budget be monitored and amended as necessary during the year.

CASH AND INVESTMENTS

At year end, the Township had \$131,391 in deposits with financial institutions that are uninsured by federal depository insurance. We recommend that the Township insure all funds. Also, the Township has a municipal investment account with a carrying value of \$113,831 which is also uninsured and uncollateralized.

INTEREST-TAX COLLECTION FUND

Currently, the Township does not prorate and distribute to the various taxing units the interest earned on the tax collection savings account. We recommend that, unless the Township can obtain written agreements with the appropriate taxing units to not do so, the interest be distributed proportionally as required.

UNIFORM CHART OF ACCOUNTS

Currently, the Township does not use the uniform chart of account numbers when it records its financial activity. Along with the written descriptions now used, we recommend that account numbers be also used for proper clarification.

SEGREGATION OF DUTIES

Separation of duties between persons who authorize transactions and persons who have control over the related assets does not exist to the extent possible in larger entities with several employees involved in the accounting process.

The least desirable accounting system is one in which the employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

The desired separation of duties cannot be achieved with a few employees involved. The careful and consistent oversight provided by the Township Board appears to offset the inability to separate various accounting functions and should be continued. The Township Board maintains monitoring of current operations. Operating results are reviewed monthly which provides significant oversight for the inspection of any irregularities and discrepancies. The cost for additional staff to enable separation of duties is likely not economically justified and therefore, the Township Board's oversight is assisting in this internal control function. Our finding is intended only to point out that this element of internal control separation of duties does not, and at present, cannot exist.

In addition to the above reportable conditions, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency.

TAX COLLECTION FUND

The treasurer should have a change fund available during the tax collection fund to facilitate those taxes paid with cash.

This report is intended solely for the information and use of the Township Board.

Gillett Halvorsen & Leonhardt PC

Gillett, Halvorsen & Leonhardt, P.C.
Certified Public Accountants

October 15, 2005
Sault Ste. Marie, Michigan